

CALIFORNIA TRANSPORTATION COMMISSION TRANSPORTATION FUNDING SHORTFALL

In total over \$5 billion has been lost to transportation in fiscal year (FY) 2004-05 and the prior two fiscal years due to loans, transfers, diversions, and lower than expected federal reimbursements. Gasoline sales tax revenues (\$3.3 billion) that were dedicated to transportation with the enactment of Proposition 42 have not been made available due to state budget ills. Regular gas tax (ad valorem) funds from the State Highway Account (\$1.4 billion) have been used to keep the construction going on allocated Traffic Congestion Relief Act of 2000 projects that were to be funded with gasoline sales tax revenues. The latest cash forecast from Caltrans indicates that federal reimbursements will be running approximately \$300 million less in FY 2004-05 than previously expected.

Background

On May 5, 1999, the California Transportation Commission (CTC) published a 10-year needs assessment of California's transportation system. The CTC roughly estimated the state's unfunded transportation need to be \$117 billion. In response, the Governor proposed and the Legislature enacted the Traffic Congestion Relief Act of 2000. The Act provided, over a six year period, \$6.8 billion in new funds to transportation, derived from the state's sales tax on gasoline, to initiate projects to help relieve traffic congestion and provide funds for other transportation infrastructure needs. In March 2002, 70% of the electorate approved Proposition 42, a legislative constitutional amendment that permanently dedicated revenues from the sales tax on gasoline to transportation infrastructure needs. Under provisions of Proposition 42, upon declaration of the Governor and with two-thirds concurrence of both houses of the Legislature, the gasoline sales tax dedication to transportation can be suspended.

Unfortunately, due to constant state budget ills, none of the gasoline sales tax derived funds promised to transportation (approximately \$1.1 billion a year) has been transferred from the general fund and made available to address the state's huge transportation infrastructure need. In response, the CTC suspended all new allocations to Traffic Congestion Relief Act projects in December 2002. In reality, the on going construction of Traffic Congestion Relief Act projects allocated by the CTC prior to December 2002 has been kept going by continuous borrowing of regular gas tax (ad valorem) funds from the State Highway Account. This borrowing, combined with the fact that federal aid is not flowing in the amounts projected, strained the State Highway Account to such an extent that the CTC suspended all new allocations during FY 2003-04 of programmed State Transportation Improvement Program (STIP) projects and sharply reduced allocations of state highway rehabilitation projects, a category of transportation projects that have a very high statutorily mandated priority.

The outlook for FY 2004-05 is turning out to be even more severe than for the prior fiscal year. The slower than expected flow of federal transportation funds, exacerbated by the lack of Proposition 42 funds, has imperiled transportation project allocations. Per the latest cash estimate, the State Highway Account will only have enough cash to sustain \$500 million in project allocations through December 2004; this is less than one quarter of the planed \$2.2 billion in allocations for the fiscal year. The CTC will not resume STIP or Traffic Congestion Relief Act project allocations, will be unable to do any new GARVEE bonding and will be forced to stop state highway rehabilitation project allocations after the December 2004 meeting. At this rate, the 1999 estimated \$117 billion unfunded transportation need will grow to \$160 billion by FY 2009-10.

The CTC might be able to resume STIP allocations in FY 2004-05 if one or a combination of events transpires: 1) The federal ethanol issue is resolved favorably for California; 2) The federal reauthorization bill is passed at a higher level than proposed by the President and the U.S. House of Representatives; 3) Proposition 68 and 70 are defeated by the voters at the November 2004 elections and the \$1.2 billion in new tribal gaming compact funds negotiated by the Governor flow to transportation as repayment of past loans.

COMPARISON AVAILABLE TRANSPORTATION FUNDS TO ACTUALLY AUTHORIZED

(\$ in billions)

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	SUM
Annualized Unfunded Need	\$11.3	\$11.5	\$11.7	\$12.0	\$12.5	\$59.0
Transportation Funds as Available (prior to transfers, loans or diversions)						
Local Assistance	\$0.9	\$1.0	\$1.0	\$1.0	\$1.1	\$5.0
Gas Tax Funds (STIP/SHOPP)	\$2.9	\$2.8	\$2.4	\$2.5	\$2.4	\$13.0
Sales Tax on Gas (Prop 42)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$1.1</u>	<u>\$1.1</u>	<u>\$1.1</u>	<u>\$3.3</u>
Total	\$3.8	\$3.8	\$4.5	\$4.6	\$4.6	\$21.3
Transportation Funds as Actually Authorized (FY 2003-04* & FY 2004-05 Estimated)						
Local Assistance	\$0.9	\$1.2	\$0.9	\$0.9	\$1.1	\$5.0
Gas Tax Funds (STIP/SHOPP)	\$2.5	\$2.6	\$2.1	\$1.4	\$0.8	\$9.4
Gas Tax Funds (TCRP)	<u>\$0.1</u>	<u>\$0.3</u>	<u>\$0.3</u>	<u>\$0.5</u>	<u>\$0.2</u>	<u>\$1.4</u>
Total	\$3.5	\$4.1	\$3.3	\$2.8	\$2.1	\$15.8
Transportation Funds Lost	\$0.3	-\$0.3	\$1.2	\$1.8	\$2.5	\$5.5

* Final allocation numbers for FY 2003-04 Local Assistance will not be available until after end of federal fiscal year.

INVENTORY OF 10 YEAR UNFUNDED TRANSPORTATION NEEDS GAS TAX ELIGIBLE PROJECTS ESCALATED TO FY 2004-05*

(\$ in billions)

	<u>2004 Unfunded Needs</u>	
Local Streets & Roads		
Arterials	\$14.9	
Pavement Rehabilitation	\$11.9	
Bridge Rehabilitation ¹	\$0.7	
State Highways		
Highways	\$22.3	
Interregional Improvements ¹	\$6.6	
Bridge & Highway Rehabilitation	\$6.3	
Safety Improvements	\$1.3	
Recurrent Problems	\$4.9	
Operational Improvements	\$5.3	
Storm Drainage Retrofit	\$6.8	
Retrofit Soundwalls	\$0.7	
NAFTA Transportation Infrastructure	\$0.5	
Native American Reservation Roads	\$0.2	
Ground Access Improvements		
Airports	\$3.3	
Seaports	\$1.3	
Intercity Passenger Rail Service	\$4.9	
LA Basin Rail Consolidation	\$2.6	
Bus & Rail Transit		
Urban & Commuter Rail	\$22.3	
Capital Improvements	\$7.0	
ADA Capital Improvements	\$0.1	
Bicycle & Pedestrian	\$1.6	
Total	<u>\$125.4</u>	
Unfunded needs annualized over 10 years	\$12.5	\$12.5
	As Available	As Authorized
Annual Local Assistance investment	\$1.1	\$1.1
Annual STIP/SHOPP investment	\$2.4	\$0.8
Annual Prop 42 investment	\$1.1	\$0.2
Total	<u>\$4.6</u>	<u>\$2.1</u>
Additional revenue required to address need	\$7.9	\$10.4

¹ May be understated.

* Extracted from the May 1999 CTC Inventory of Ten-Year Funding Needs, with a 2% per year escalation factor applied FY 2000-01 to FY 2003-04 and 5% FY 2004-05.

INVENTORY OF 10 YEAR UNFUNDED TRANSPORTATION NEEDS GAS TAX ELIGIBLE PROJECTS ESCALATED TO FY 2009-10*

(\$ in billions)

	2009 Unfunded Needs	
Local Streets & Roads		
Arterials	\$19.0	
Pavement Rehabilitation	\$15.2	
Bridge Rehabilitation ¹	\$0.9	
State Highways		
Highways	\$28.4	
Interregional Improvements ¹	\$8.4	
Bridge & Highway Rehabilitation	\$8.0	
Safety Improvements	\$1.6	
Recurrent Problems	\$6.2	
Operational Improvements	\$6.8	
Storm Drainage Retrofit	\$8.7	
Retrofit Soundwalls	\$0.9	
NAFTA Transportation Infrastructure	\$0.6	
	\$0.0	
Native American Reservation Roads	\$0.3	
Ground Access Improvements		
Airports	\$4.2	
Seaports	\$1.6	
	\$0.0	
Intercity Passenger Rail Service	\$6.2	
	\$0.0	
LA Basin Rail Consolidation	\$3.3	
Bus & Rail Transit		
Urban & Commuter Rail	\$28.4	
Capital Improvements	\$9.0	
ADA Capital Improvements	\$0.1	
Bicycle & Pedestrian	\$2.0	
Total	\$160.0	
Unfunded needs annualized over 10 years	\$16.0	\$16.0
	As Available	As Authorized
Annual Local Assistance investment	\$1.1	\$1.1
Annual STIP/SHOPP investment	\$2.4	\$0.8
Annual Prop 42 investment	\$1.1	\$0.2
Total	\$4.6	\$2.1
Additional revenue required to address need	\$11.4	\$13.9

¹ May be understated.

* Extracted from the May 1999 CTC Inventory of Ten-Year Funding Needs, with a 2% per year escalation factor applied FY 2000-01 to FY 2003-04 and 5% FY 2004-05 to FY 2009-10.